

## PREFACE

During this inquiry, the Committee has received a considerable volume of information in relation to the terms of reference and the Australian health system in general. The inquiry process has provided an opportunity for participants to discuss their perceptions of the problems facing public hospitals in Australia. While much of the evidence was critical, comparatively few participants in the inquiry acknowledged the attempts by Commonwealth, State and Territory Governments to address at least some of these problems.

The evidence has demonstrated clearly that the community values its public hospitals very highly. Public hospitals are treasured because of the care and treatment which is provided by their dedicated but increasingly stressed staff, and also because they are an essential element of Australia's social fabric. A strong message has been expressed by various interest groups that the community is sick and tired of the game playing and blame shifting by governments. The community expects its public hospitals to be adequately resourced and is growing increasingly impatient with the unwillingness of governments to put aside their jurisdictional squabbles over public hospital funding.

It is clear from evidence presented to the inquiry that the key problem which needs to be addressed as a priority is the fragmented nature of the roles and responsibilities of the Commonwealth and the State and Territory governments and the associated cost shifting, in the funding and delivery of public hospital services. It is clear also that public hospitals are seriously underfunded and that they have been forced to resort to cost shifting as a measure to overcome funding shortfalls. As a result, it is claimed that patients are encouraged to use particular services on the basis of who pays for those services rather than what may be the most effective services to meet their needs.

The report of the New South Wales Health Council emphasised the importance of honesty and openness with regard to the resources available for public hospitals. The Committee has been encouraged by this approach. The current funding arrangements for public hospitals are anything but open, honest and transparent. Often, data relating to the funding arrangements of the Commonwealth, States and Territories is not readily comparable. Accordingly, it has been an easy task for governments to blame each other for perceived shortcomings in public hospital funding. Bedevilled by politics, this process has to move on.

This First Report represents the Committee's initial response to its terms of reference relating primarily to funding within the Australian health system. In this Report, the Committee presents an overview of the public hospital sector, identifies the major problems and issues which the sector faces, examines the adequacy of funding, and canvasses the range of options for reform raised by participants in the inquiry.

The Committee emphasises that in issuing this First Report it has not yet reached any conclusions or made recommendations; nor has it endorsed any of the options for reform. The summary presentation of the evidence received to date reflects the views

of the participants and does not imply any acceptance by the Committee as to the merits of their claims. In this First Report, the Committee is not judgemental but rather seeks to make a genuine contribution to stimulating debate on the issues facing public hospitals in Australia.

The Committee intends to convene a Roundtable Discussion/Forum in August at which expert participants will consider the options presented in this Report. Generally speaking, many submissions that proposed particular options did not specify mechanisms by which the options might be adopted. It is the Committee's intention that the Roundtable Discussion/Forum will create an opportunity to provide focussed consideration of the options and enable further development of mechanisms for their introduction. This process will assist the Committee in its deliberations during the preparation of its final report. The Committee has not yet taken a position on any options presented in this report, but rather, presents the various possible courses of action for consideration and debate.

### **Background to the inquiry**

In July 1999 the State and Territory Premiers and Chief Ministers called on the Federal Government to establish an independent inquiry into the health system, preferably through the Productivity Commission. The Prime Minister declined to establish such an inquiry. The Senate subsequently agreed to establish an inquiry and on 11 August 1999 referred the following matter to the Community Affairs References Committee for inquiry and report

How, within the legislated principles of Medicare, hospital services may be improved, with particular reference to:

- (a) the adequacy of current funding levels to meet future demand for public hospital services in both metropolitan and rural Australia;
- (b) current practices in cost shifting between levels of government for medical services, including the MBS, pharmaceutical costs, outpatient clinics, aged and community care, therapeutic goods and the use of hospital emergency services for primary care;
- (c) the impact on consumers of cost shifting practices, including charges, timeliness and quality of services;
- (d) options for re-organising State and Commonwealth funding and service delivery responsibilities to remove duplication and the incentives for cost shifting to promote greater efficiency and better health care;
- (e) how to better coordinate funding and services provided by different levels of government to ensure the appropriate care is provided through the whole episode of care, both in hospitals and the community;
- (f) the impact of the private health insurance rebate on demand for public hospital services;

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- (g) the interface between public and private hospitals, including the impact of privatisation of public hospitals and the scope for private hospitals to provide services for public patients;
  - (h) the adequacy of current procedures for the collection and analysis of data relating to public hospital services, including allied health services, standards of care, waiting times for elective surgery, quality of care and health outcomes; and
  - (i) the effectiveness of quality improvement programs to reduce the frequency of adverse events.

### **Conduct of the inquiry**

The Committee received over 90 submissions and is continuing to receive submissions throughout the course of the inquiry. The Committee has received submissions and evidence from Federal, State and Territory Governments; health sector and related professional organisations; and academic, consumer, welfare and other interested groups and individuals.

The Committee held eight days of public hearings around Australia – in Canberra (2 days), Adelaide, Darwin, Perth, Sydney, Brisbane and Melbourne. Most of these hearings were held in public hospitals enabling members to experience at first hand the facilities of these hospitals. Committee members have also visited a number of other hospitals to inspect facilities and have informal discussions with administrative and clinical staff. Hansard transcripts of the public hearings may be accessed at: [www.aph.gov.au/hansard](http://www.aph.gov.au/hansard)

### **Assistance with the inquiry**

The Committee's terms of reference raised highly complex issues surrounding the current financial arrangements between the Commonwealth, States and hospitals/health services and their impact on service delivery now and in the future. The Committee benefited from the evidence gained through submissions, public hearings and supplementary information provided by many of the inquiry participants. A complete list of submissions and other information authorised for publication by the Committee will be in the final report. The list may be accessed from the Committee's web site at: [www.aph.gov.au/senate\\_ca](http://www.aph.gov.au/senate_ca)

In addition to this material, the Committee has been greatly assisted by the Centre for Health Economics Research and Evaluation (CHERE) based at the University of Sydney, which provided specialised research, information and advice addressing the complexities within the terms of reference.

The Committee also received expert staffing and research assistance from the Department of the Parliamentary Library.

